



## Brounes & Associates

4607 BRAEBURN DR. • BELLAIRE, TEXAS 77401 • 713.962.9986 • ron@ronbrounes.com

### AND THAT'S THE WEEK THAT WAS...

For the Week Ended January 20, 2012

#### Market Matters...

Market/Index	Year Close (2011)	Qtr Close (12/31/11)	Previous Week (01/13/12)	Current Week (01/20/12)	YTD Change
Dow Jones Industrial	12,217.56	12,217.56	12,422.06	<b>12,720.48</b>	<b>4.12%</b>
NASDAQ	2,605.15	2,605.15	2,710.67	<b>2,786.70</b>	<b>6.97%</b>
S&P 500	1,257.60	1,257.60	1,289.09	<b>1,315.38</b>	<b>4.59%</b>
Russell 2000	740.92	740.92	764.20	<b>784.62</b>	<b>5.90%</b>
Global Dow	1,801.60	1,801.60	1,841.21	<b>1,908.00</b>	<b>5.91%</b>
Fed Funds	0.25%	0.25%	0.25%	<b>0.25%</b>	<b>0 bps</b>
10 yr Treasury (Yield)	1.87%	1.87%	1.85%	<b>2.03%</b>	<b>16 bps</b>

The Internet has spoken (thanks **Wikipedia**). While Congress has been debating piracy bills that potentially could hinder free and open communications via the web, companies like **Google**, **Facebook**, **Yahoo**, **Twitter**, and **AOL** decided to take a stand. Wikipedia even chose to go “dark” for a 24-hour period and encouraged users to contact their representative and express concerns about censoring portions of the Internet. A day later, both Houses agreed to postpone moving these bills forward (for now). In other politico news, one-time frontrunner Rick Perry (of “oops” fame) put his presidential aspirations on hold and threw his support to ultra-conservative Newt Gingrich. Now voters can focus their attention on key issues for future debates, for example...How does Gingrich’s “open marriage” fit into a family values platform and why does Romney pay a lower tax rate than most of Middle America (now that’s a heck of an IRA)?

Financials led this week in earnings as **Goldman Sachs** and **Citigroup** struggled during the quarter, while **Wells Fargo** and **Bank of America** showed signs of rebounding. **Morgan Stanley** posted a quarterly loss on a sizable legal settlement, though better-than-expected trading revenue gave the investment giant a nice boost for the three-month period. The tech sector got some favorable news as **Intel** and **IBM** reported solid earnings; **Microsoft** found ways to overcome weaker software sales; and **eBay** benefited from its sale of **Skype** (to Microsoft). On the “not-so-promising” side of the equation, **Google** posted a rare revenue miss. Conglomerate **GE** reported dismal profit growth in its industrial biz, though management gave a fairly optimistic outlook for 2012.

In other corporate news, **Yahoo’s** board said goodbye to co-founder Jerry Yang as the company continued to move in a different direction under a new brand of leadership (former **PayPal** exec); **Eastman Kodak** filed for bankruptcy protection as no one seems to use a good-old instamatic these days; and **BMW** announced a sizable recall of its Mini and Mini Cooper brands. In transaction news, **Pembina Pipeline** is acquiring **Provident Energy** for about \$3 billion in stock.

Oil declined below \$100/barrel during the week as the Administration rejected a Canadian company’s proposal to build a TransCanadian pipeline to the Gulf of Mexico, stating that the project required more information and time to review. The Energy Department reported that demand for crude fell to an 11-year low and the price drop continued on ongoing uncertainties about Europe’s economy. Equities reacted to favorable signs in the domestic economy as the labor market seems to be in rebound mode; investors generally have viewed the early earnings reports in a positive light (despite a few key mishaps). Stocks rose to levels not seen in six months in the shortened trading week as the S&P 500 index closed above 1,300 for the first time since July. Fixed income gave up some ground during the week as investors added risk to their portfolios and the yield on the benchmark 10-year jumped back above the 2% level. Then again, most folks seem more concerned with (other people’s) open marriages and skyrocketing IRAs.

## Economic Calendar

Date	Release	Comments
January 18	PPI (12/11)	Largest rise in “core” inflation rate since July
	Industrial Production (12/11)	Reflects strength in manufacturing
January 19	Jobless Claims (01/14/12)	Lowest level since April 2008
	CPI (12/11)	Prices virtually unchanged
	Housing Starts (12/11)	Worst year on record for single-family home construction
January 20	Existing Home Sales (12/11)	Highest level in 11 months
<b>The Week Ahead</b>		
January 25	Fed Policy Meeting Statement	
January 26	Jobless Claims (01/21/12)	
	Durable Goods Orders (12/12)	
	New Home Sales (12/12)	
	Leading Eco Indicators (12/12)	
January 27	GDP (4 <sup>th</sup> qtr)	

Investors got good news on the domestic economic front this week. Labor continued its rebound as fewer folks moved to the unemployment rolls and initial claims for jobless benefits fell to the lowest level since April 2008. While some (more pessimistic) analysts point to the inexact science of measuring this statistic on a shortened work week (MLK day), even the less volatile core release fell again last week and comfortably stands below the critical 400k level. Additionally, favorable signs from housing also reflect nicely on a sector rebound (it’s about time). First of all, a home builders’ confidence index climbed to its highest measure since June 2007, even before the mortgage debacle. Existing home sales jumped in December to the highest level in 11 months. Industrial production reflected continued strength in manufacturing. As for inflation, though “core” PPI actually rose in December, most analysts do not seem worried and retail prices (CPI) remained flat for the month.

Looking abroad, Greece seemed to be nearing an agreement with private creditors that could help push its bailout forward. Germany’s economic sentiment index increased to its highest level since July, but the government slashed its projections for 2012 economic growth. Despite the recent ratings downgrades by **S&P**, European bond auctions were relatively well-received during the week with Germany, France, and Spain each realizing lower borrowing costs. Further, the European Financial Stability Fund (bailout fund) sold short-term debt to strong investor demand. China, the world’s second largest economy, expanded at a solid 8.9% clip last quarter, slower than the previous release, but still a better showing than many economists expected.

The Fed takes center stage next week though investors and analysts alike expect no dramatic actions in terms of new stimulus (rate moves, bond purchase programs) at its open market committee meeting. Instead, Bernanke and friends will introduce their “new and improved” communications strategy in which they share thoughts on their interest rate outlook and their objectives for employment and inflation. Historically, the statement that accompanies the close of the policy meeting tends to be vague and open to interpretations so the new strategy should give Fed watchers a better feel for the policymakers’ overall thinking.

***On the Horizon...*** All eyes (and ears) will be on the Fed as investors hope to take the newfound insight from its meeting and translate that into profitable trading opportunities (is that the intent of the new strategy?). The ever-changing mindset of the consumer is again on display as **McDonalds** (1/24), **Starbucks** (1/26), and **Procter & Gamble** (1/27) headline the earnings season. Looking at the economic data, analysts get their first look at 4<sup>th</sup> quarter GDP and gain greater insight on the impact of those Thai floods and the success of the holiday season. And then there’s Europe...is Greece really back in the headlines?